



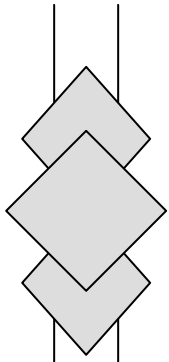
Planning, Budgeting, and Acquisition Under GPRA

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Largest Investor in Capital Assets?

- Federal stock estimated at \$1.3 trillion
- 1996 outlays were \$73 billion
- Capital asset programs must be well managed and provide the highest possible return on taxpayers dollars
- Decision affects not only the amount of dollars invested but also quality and quantity of government services



Legislation

- Budget Enforcement Act of 1990
- Government Performance and Results Act of 1993
- FASA
- Clinger-Cohen



Budget Enforcement Act of 1990

- OMB and CBO Agreement on Deficit for Fiscal Year
- All changes in appropriations must be deficit neutral



Government Performance and Results Act of 1993

- Strategic Plans and Objectives
 - Approved by the President and Congress
- Annual Performance Plans
- Acquisition performance measures and results part of plans
 - Benchmark performance measures for procurement system
 - Achievement of large acquisition goals



Performance Based Acquisition Management

Federal Acquisition Streamlining Act Title V



Subtitle A - Armed Services

Subtitle B - Civilian Agencies

- Agency head shall approve or define the cost, performance, and schedule goals for:
 - A - major defense acquisition programs
 - B - major acquisitions
- Comptroller/CEO evaluates the cost goals
- Annual assessment of major and nonmajor acquisition program achievement of, on average 90 percent of goals
- A - SECDEF B - Administrator OFPP



Programs Not Within Goals

- Programs not achieving, on average, 90 percent of cost, schedule, and performance goals shall be reviewed by the agency head to:
 - Determine if continuing need for program
 - Identify suitable actions to be taken, including termination



FASA and FARA Workforce Development

- DDM, OMB, and OFPP establish policies and procedures to designate acquisition positions and manage employees (including accession, education, training, and career development)
- Contracting and program management
- Qualification requirements for civilian agencies comparable to DAWIA
- Funding identified in budget



Incentives (cont)

- Provide for consideration, in personnel evaluations and promotion decisions of the extent to which performance contributes to achieving the cost, schedule, and performance goals



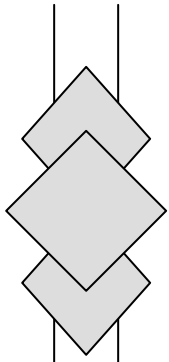
Clinger - Cohen Act of 1996

- GSA -GSBCA - FIRMR eliminated from IT acquisition process
- Director of OMB responsible for policy and approval of IT projects
- Chief information officers established
- Reduce risk
 - Modules



Purpose of Initiative

- To ensure that agencies improve the initial capital planning process for large acquisitions to develop realistic cost, schedule, and performance goals that are tied directly to agency strategic mission goals within available budget resources
- Agencies manage acquisitions to achieve goals to maintain budget discipline



Planning, Budgeting, and Acquisition of Capital Assets

OMB Circular No. A-11, Part 3
and
Capital Programming Guide



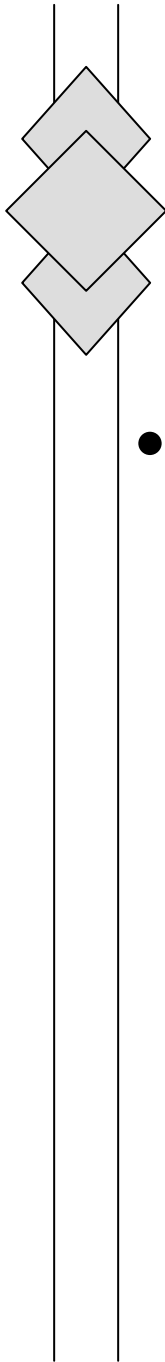
CAPITAL PROGRAMMING GUIDE

Version 1.0
July 1997



Purpose Of Guide

- Provide basic reference on principles and "best practice" techniques for **Planning, Budgeting, Procurement, and Management** of capital assets
- Integrates administration and statutory asset management initiatives
 - GPRA - Clinger - Cohen - FASA



Acquisition Plan and Justification

- Major acquisitions - those requiring special management attention because of their importance to the agency mission; high development, operating, or maintenance costs; high risk; high return; or their significant role in the administration of agency programs, finances, property, or other resources



Planning Phase

- Step 1 - Strategic and program performance linkage
 - Strategic planning
 - Capital assets should be planned for, acquired, and managed in light of their ability to contribute to accomplishing program outputs and outcomes in the strategic plan
 - Annual performance plan should demonstrate incremental progress of the asset in meeting strategic plan



Planning Phase

- Step 2 - Baseline assessment and identifying the performance gap
 - Establish an integrated product team
 - Qualified program manager and staff
 - Review existing capital assets, leases, and service contracts as a portfolio
 - Analysis of capability of existing capital assets to bridge the performance gap between existing and planned results
 - Use value management techniques



Planning Phase

- Step 3 - Functional requirements
 - Define the gap in terms of performance requirements to be achieved, not in equipment or software terms
 - Internal agency users and external customers should participate
 - “Specification Creep” is a major danger
 - Emphasis should be placed on core requirements not on future potential needs or “nice” to have



Unified Guidance

- Coordinate the collection of agency information for OMB reports to Congress
 - FASA Title V
 - Clinger - Cohen
 - Ensure acquisition plan supports mission, long-term goals and objectives, and annual performance plans required by GPRA



Planning Phase

- Step 4 - Alternatives to capital assets
 - Answering the three pesky questions
 - Need to be performed by the Federal Government
 - Other government or private source available
 - Support re-engineered work processes
 - Consider other options
 - regulation, user fee, human capital, grants
 - Frequent use of benefit-cost or cost effectiveness analysis



Planning Phase

- Step 5 - Choosing the best capital asset
 - Asset Availability
 - Can the market provide capital assets that partially or fully meet program requirement? How much of the need can be fulfilled without the need for developing new technologies or incurring other significant risk?
 - Market research strategy
 - Comparative demonstrations may be necessary if several alternatives offer same benefits and costs



Planning Phase

- Selecting the best alternative: benefit-cost analysis
 - Are the alternatives affordable within budget limits? If the full requirement is not affordable, can it be divided into separate modules that are affordable?
 - Initial acquisition cost and other life cycle costs of the various alternatives should be compared
 - Alternatives not affordable within potential budget availability should be dropped from consideration



Planning Phase

- Benefit-cost analysis
 - Identify assumptions and constraints
 - Identify and qualify benefits and costs
 - Evaluate alternatives using net present value
 - Perform risk and sensitivity analysis
- Develop an acquisition strategy
- Allow adequate time to evaluate alternatives



Planning Phase

- Plans for proposed capital asset once in use
 - Agencies should identify a measurement system that provides cost and performance data to evaluate the investment
- Prioritize projects within a portfolio
 - Likely winners
 - Likely drop outs
 - Prospects that warrant a closer look



Planning Phase

- Step 6 - The agency capital plan
 - Executive review process
 - Purpose of the Agency Capital Plan
 - Key elements of the Agency Capital Plan
 - Connecting strategic, annual performance, and capital plans
 - Coordinate with OMB guidance
 - OMB Circular A-11, Part 3



Budgeting Phase

- Step 1 - Agency submission for funding in the budget year
 - Criteria for justification of spending for proposed new capital assets
 - Drawn from the agency capital plan
 - Principles of financing
 - Full funding - regular and advanced appropriations -
Separate funding for Information segments -
Accommodation of lumpiness or “spikes”
 - Accountability



Procurement Phase

- Step 1 - Validate planning decision
- Step 2 - Managing the procurement risk
 - Avoiding or limiting the amount of development work
 - Make effective use of competition
 - Establish a performance-based acquisition management system that provides for program successes and failures - EVMS



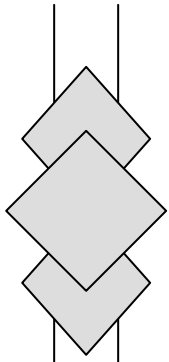
Management-In-Use Phase

- Step 1 - Operational analysis
 - Operations and maintenance cost can equal 80 percent of life-cycle costs
 - Continual analysis against the performance baseline
 - DOE requires operation assessments every six months
 - Conducted in context of the program or project asset supports



Management-In-Use Phase

- Step 2 - Execution of operation and maintenance plan
- Step 3 - Post-implementation evaluation
- Identity whether the asset is performing as planned, ensure continual improvement of capital management process based on lessons learned, and minimize the risk of repeat mistakes
- Step 4. Execution of asset disposal plan



OMB Circular A-11, Part 3

Planning, Budgeting, and Acquisition of
Capital Assets

Provides Requirements for Budget
Submissions to OMB



New Acquisition Requests

- How asset will help meet gap the agency's ability to meet strategic goals and objectives?
 - Progress in annual performance plan
- Three pesky questions
- Basis for selecting the project extent of market research
 - Extent of market research
 - Emphasis on solutions currently available?



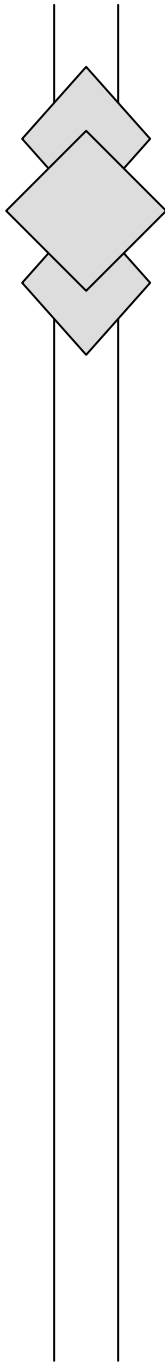
Basis for Selecting Project (cont)

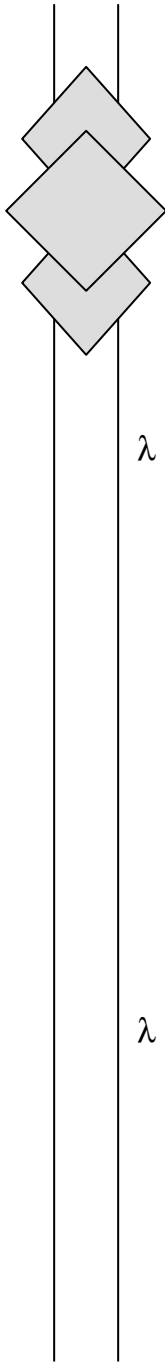
- If market cannot fulfill the entire performance gap, did agency weigh the extent of capability available against the delay in improvement, risk of failure, and cost of development effort to obtain desired capability?
- Benefit-cost analysis including life cycle cost analysis of alternatives
- Is the asset affordable within budget limits?



Risk Analysis

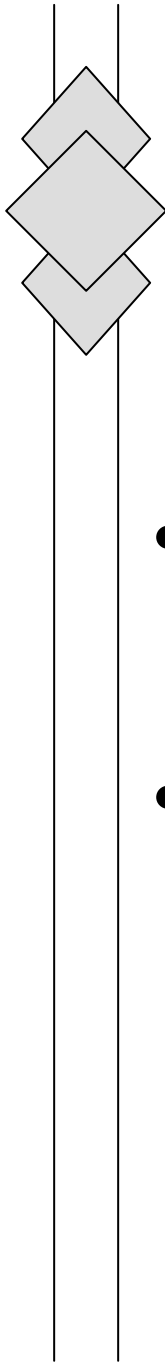
- Risk analysis
 - If high risk, can project failure be absorbed without loss of service capability or significant effect on the budget?
- What is priority of project within portfolio?
- Other information requested by OMB

- 
- Program management
 - Dedicated program manager and contracting officer
 - IPT
 - Contract strategy
 - Performance-based
 - Contract Type
 - Fixed price preferred



Cost, Schedule and Performance Goals

- λ Provide baseline cost, schedule, and performance goals
 - λ Will be used in reporting to Congress on achievement of 90 percent of cost and schedule goals and for civilian agencies - 100 percent of performance goals
- λ Agency planning process is expected to produce acquisition plans with a high probability of achieving goals



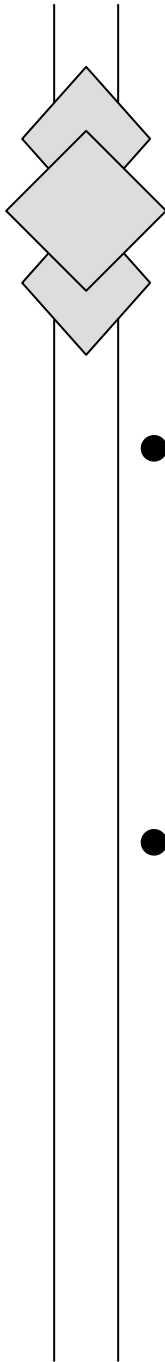
Cost, Schedule and Performance Goals (cont)

- Request funding for only the stages where the agency is able to establish realistic goals
- If planning has not progressed to point where the agency is ready to commit to achievement of goals for completion of the acquisition, request funds for planning in alternative exploration stages only



Performance Goals

- Summarize performance goals as stated in the statement of work
- Identify the key programmatic assumptions used to determine performance goals
- How asset will help agency meet GPRA goals



Performance Based Management System

- Identify and discuss PBMS to monitor achievement of, or deviation from baseline goals
- Earned value or other system
 - planned work
 - planned work actually accomplished
 - actual cost of work accomplished
 - establishes the deviation percentages



EVMS on All Types of Contracts

Performance based management systems should be used on both fixed price and cost type contracts. The extent of information on project status and particular cost information should be less on fixed price contracts than on cost type contracts, but monitoring FP contracts is necessary because of the effect of changes on other agency plans and funds



Full Funding

- Agencies are required to request full up-front budget authority for all ongoing and new proposals for fixed assets, or
- At least each stage or economically and programmatically separable segments (or module) of a stage in the acquisition process



Reporting to OMB In-process Acquisitions

- Performance based management system
- Achievement of, or deviation from goals
 - Budget cost of work scheduled
 - Budget cost of work performed
 - Actual cost of work performed
- Best estimate until PBMS in place
- For performance goals, report any contract deviations, modifications, or waivers and estimate percentage change in performance



ON-Going Acquisitions

- Identify current estimates at completion of cost, schedule, and performance achievement
- Provide current variance analysis
 - If not within 90% of original baseline, cost, or schedule goals, give reasons for variance
 - If not meeting performance goals, give reasons for variance



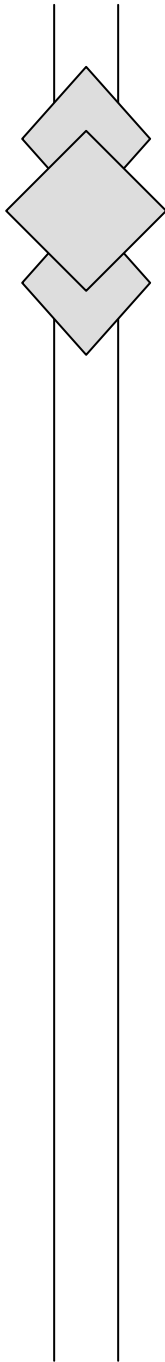
Not Achieving 90% of Goals

- Analysis of deviations and corrective actions needed to achieve baseline goals
- New estimates to complete, if necessary
- Terminate acquisitions that will not achieve reasonable return on investment
- If additional funds needed, describe other items that will be cancelled



Is Project Cost Beneficial?

- Identity corrective actions that have or will be taken
- Identify effect actions will have on baseline goals
- How project will meet goals or how and why goals should be revised and cost benefit analysis with new goals
- OMB must approve revisions to baseline



Measure twice because you can only
cut once

Murphy's Law on Life



Challenge for Group

- Government is now expected to manage capital assets to meet agency strategic goals and objectives within limited budgets
- Fixed price contracts often experience changes to initial cost, schedule, and performance goals
- Develop policy to implement EVMS on Fixed Price Contracts